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1. GAO IS CONDUCTING STUDY OF BENEFITS, ALLOWANCES AND OTHER FORMS OF SUPPORTING ASSISTANCE OF U.S. AGENCIES FOR EMPLOYEES SERVING IN FOREIGN COUNTRIES. GAO TEAMS PLAN VISIT ADDRESSEE POSTS IN FEBRUARY. GAO FOREIGN BRANCH OR DEPARTMENT WILL SEND INFORMATION SEPARATELY ON NAMES, SECURITY CLEARANCES AND SCHEDULES OF TEAM MEMBERS. IF MESSAGE ORIGINATES FROM GAO FOREIGN BRANCH, POSTS ARE REQUESTED REPEAT INFORMATION TO DEPARTMENT ATTENTION BF/OAG. ALSO ADVISE DEPARTMENT ON ACTUAL ARRIVALS AND DEPARTURES OF TEAM MEMBERS. IRWIN  
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*Before the Committee on Appropriations*

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Foreign Assistance and  
Related Programs  
Appropriations

*Fiscal Year 1973*

92<sup>d</sup> CONGRESS, SECOND SESSION

AGENCY FOR INTERNATIONAL DEVELOPMENT  
CONTINUING RESOLUTION, FISCAL YEAR 1973

DEPARTMENT OF DEFENSE:

MILITARY ASSISTANCE AND FOREIGN MILITARY CREDIT SALES PROGRAM

DEPARTMENT OF HEW:

ASSISTANCE TO REFUGEES IN THE UNITED STATES  
(CUBAN REFUGEE PROGRAM)

DEPARTMENT OF STATE:

ADMINISTRATIVE EXPRESS  
FOREIGN ASSISTANCE AND RELATED PROGRAMS  
INTERNATIONAL ORGANIZATIONS AND PROGRAMS  
MIGRATION AND REFUGEE ASSISTANCE  
SECURITY ASSISTANCE PROGRAM

DEPARTMENT OF THE TREASURY:

INTERNATIONAL FINANCIAL INSTITUTIONS  
EXPORT-IMPORT BANK OF THE UNITED STATES  
INTER-AMERICAN FOUNDATION  
NONDEPARTMENTAL WITNESSES  
OVERSEAS PRIVATE INVESTMENT CORPORATION  
PEACE CORPS

541

PROGRAM AND MANAGEMENT SERVICES

STATEMENT OF HON. JAMES F. CAMPBELL, ASSISTANT ADMINISTRATOR FOR PROGRAM AND MANAGEMENT SERVICES

ACCOMPANIED BY:

JAMES E. WILLIAMS, DEPUTY ASSISTANT ADMINISTRATOR,  
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KENNETH S. LEVICK, ASSOCIATE ASSISTANT ADMINISTRATOR,  
OFFICE OF PROGRAM AND METHODOLOGY, TECHNICAL  
ASSISTANCE BUREAU

RICHARD L. PODOL, DEPUTY DIRECTOR, OFFICE OF RESOURCES  
AND SYSTEMS, BUREAU FOR PROGRAM AND POLICY COORDINATION

ALLAN R. FURMAN, DEPUTY DIRECTOR, OFFICE OF LEGISLATIVE  
AFFAIRS

BUDGET REQUEST

Senator PROXMIRE. Our final witness is Mr. James F. Campbell, Assistant Administrator for Program and Management Services, who will present the budget request for administrative expenses of the Agency for International Development. The amount requested for fiscal year 1973 is \$4,775,000.

I note that a portion of Mr. Campbell's statement is in support of the appropriation for American schools and hospitals abroad.

We would like to insert this justification into the record at this time; however, Mr. Campbell, other members of the subcommittee who were unable to be present this afternoon, have requested an opportunity to ask questions concerning this item; therefore, I will ask you to return to respond to these at 11 a.m., Friday, June 2.

Mr. CAMPBELL. Yes, sir.

Senator PROXMIRE. That is, I guess, 2 weeks from Friday.

Mr. CAMPBELL. Right, sir.

Senator PROXMIRE. All right, sir.

PREPARED STATEMENT

You have a substantial statement here. Would you like to place it in the record and we can go right into questions, or you may summarize it, however, you want to do it.

Mr. CAMPBELL. Sir, I would like to put the statement in the record.

Senator PROXMIRE. Fine.

(The statement follows:)

A. AID recognizes that a number of development tasks do not lend themselves to the rigidities with which our bi-lateral technical assistance programs are sometimes encumbered. Both AID and the LDCs find, in some cases, that it is preferable to engage private voluntary organizations to do tasks that they could not do as well if they were to try to do them directly as government to government undertakings. In many cases, we also gain as a dividend the extra talent and resources available to the private voluntary organizations.

Normally, we try to engage an existing private organization to take on the indicated task. Or, on occasion, we attempt to increase the capacity of an organization already in the development field abroad. Many of the existing organizations have basic administrative structures capable of larger scale activity without much expansion. In such cases, administrative costs should shrink per unit of work performed.

To achieve economies in administration, we are already encouraging mergers of some of the private organizations, and we have witnessed the birth of a consortium of a number of private organizations. Only in special situations, where capable organizations do not presently exist to do a particularly piece of work, would we encourage the formation of new organizations.

We expect that a larger scale of operations by existing private organizations will, in fact, reduce the administrative costs of project management. We intend also to reduce AID's administrative costs by placing primary responsibility for administration on the private organization with minimal monitoring by AID.

The administrative costs of private organizations undertaking development work in collaboration with AID will usually be shared by AID and that organization. In some cases, however, a large and well established private organization may pay all of the administrative charges. In no case do we feel it desirable to support all of the administrative costs.

It is the practice in making grants and otherwise dealing with private organizations engaged in development tasks to build-in an audit review system. Generally before a grant is made or a contract is let, the Agency conducts a pre-award audit review. This includes consideration of the agency's management capability to carry out projects, the capacity of that organization to meet the requirements imposed by statute and regulation, and an examination of the organization's general business acumen and cost systems. Grants and contracts usually require periodic audits to determine that costs under the grant or contract are allowable, and that the program or task financed is being carried out in accordance with the terms of the contract or grant. We also usually impose a requirement of self-evaluation of an agency's activities by its own officers, and couple that with an annual AID evaluation of the program. Finally, we perform a closing audit upon the completion of the financial relationship with the organization. We are mindful, however, of the independent nature of the private voluntary organization and limit our reviews, evaluations, and audits to those aspects of the organization's programs that are funded by AID.